

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Rosebush	County Isabella
Audit Date June 30, 2004	Opinion Date December 20, 2004	Date Accountant Report Submitted to State: January 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

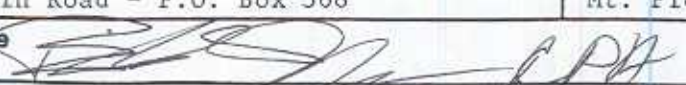
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 S. Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48804-0368
Accountant Signature 			

VILLAGE OF ROSEBUSH, ISABELLA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

VILLAGE OF ROSEBUSH  
YEAR ENDED JUNE 30, 2004

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VILLAGE OF ROSEBUSH  
YEAR ENDED JUNE 30, 2004

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VILLAGE OF ROSEBUSH  
VILLAGE OFFICIALS  
YEAR ENDED JUNE 30, 2004

PRESIDENT

Marlin Clark

PRESIDENT PRO-TEM

Margaret Anderson

COUNCIL MEMBERS

Tom Pappas

Roxanna Dunevant

Terry Lynch

APPOINTED OFFICIALS

Clerk and Street Administrator

Chris Brasington

Treasurer

John Murphy

Village/Lagoon Technician

Rick Ervin





PAGE

OLSON &amp;

COMPANY P.C.

## INDEPENDENT AUDITORS' REPORT

December 20, 2004

Village Council  
Village of Rosebush  
Isabella County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Village of Rosebush as of and for the year ended June 30, 2004, as shown on pages 6 through 11, which collectively comprise a portion of the Village of Rosebush's basic financial statements required by accounting principles generally accepted in the United States. These financial Statements are the responsibility of the Village of Rosebush's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1-B, the Village prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The differences in presentation allowed by the State and that of accounting principles generally accepted in the United States of America are also described in Note 1-B.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Village of Rosebush as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Village Council  
Village of Rosebush  
Isabella County, Michigan

Also, in our opinion, the basic financial statements presented do present fairly the minimum presentation allowed by the State of Michigan for each of its major funds and aggregate remaining fund information of the Village of Rosebush as of and for the year ended June 30, 2004 and the respective changes in fund position and cash flow, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States.

The budgetary comparisons on pages 19 through 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and the State of Michigan. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Village of Rosebush as listed in the table of contents. The information listed in the table of contents as other supplementary information and additional financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our report of comments and recommendations is included herein and forms a part of this report.

*Page, Olsen & Company*

**VILLAGE OF ROSEBUSH  
BALANCE SHEET - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

Statement I

	General Fund	Major Streets	Local Streets	Total
<b>ASSETS</b>				
Cash and Investments	\$ 150,854	\$ 157,150	\$ 31,034	\$ 339,038
Accounts Receivable	-	-	-	-
Due from Other Funds	165	257	227	649
Due from State	<u>4,671</u>	<u>5,169</u>	<u>1,231</u>	<u>11,071</u>
<b>Total Assets</b>	<b><u>\$ 155,690</u></b>	<b><u>\$ 162,576</u></b>	<b><u>\$ 32,492</u></b>	<b><u>\$ 350,758</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,618	\$ 1,626	\$ 225	\$ 3,469
Withholdings Payable	439	43	22	504
Due to Other Funds	<u>484</u>	<u>-</u>	<u>-</u>	<u>484</u>
<b>Total Liabilities</b>	2,541	1,669	247	4,457
<u>Fund Equity</u>				
Fund Balance				
Unreserved - Undesignated	<u>153,149</u>	<u>160,907</u>	<u>32,245</u>	<u>346,301</u>
<b>Total liabilities and Fund Equity</b>	<b><u>\$ 155,690</u></b>	<b><u>\$ 162,576</u></b>	<b><u>\$ 32,492</u></b>	<b><u>\$ 350,758</u></b>

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF ROSEBUSH  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

Statement II

	General Fund	Major Streets	Local Streets	Total
<b>Revenue</b>				
Taxes	\$ 18,317	\$ -	\$ -	\$ 18,317
Intergovernmental	32,105	30,465	7,245	69,815
Interest and Rents	1,434	1,294	107	2,835
Other	188	-	-	188
Special Assessment	<u>17,225</u>	<u>-</u>	<u>-</u>	<u>17,225</u>
<b>Total Revenue</b>	<b>69,269</b>	<b>31,759</b>	<b>7,352</b>	<b>108,380</b>
<b>Expenditures</b>				
General Government	18,979	1,128	564	20,671
Public Safety	6,427	-	-	6,427
Public Works	21,550	11,229	3,354	36,133
Other Functions	<u>5,677</u>	<u>86</u>	<u>43</u>	<u>5,806</u>
<b>Total Expenditures</b>	<b><u>52,633</u></b>	<b><u>12,443</u></b>	<b><u>3,961</u></b>	<b><u>69,037</u></b>
<b>Net Change in Fund Balance</b>	<b>16,636</b>	<b>19,316</b>	<b>3,391</b>	<b>39,343</b>
<b>Fund Balance - July 1</b>	<b><u>136,513</u></b>	<b><u>141,591</u></b>	<b><u>28,854</u></b>	<b><u>306,958</u></b>
<b>Fund Balance - June 30</b>	<b><u>\$ 153,149</u></b>	<b><u>\$ 160,907</u></b>	<b><u>\$ 32,245</u></b>	<b><u>\$ 346,301</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF ROSEBUSH  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004**

**Statement III**

Sewer  
Fund

**ASSETS**

Current Assets:

Cash in Checking	\$ 9,056
Cash in Savings	108,427
Investments	65,000
Accounts Receivable	<u>11,500</u>

Total Current Assets	193,983
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Non-Current Assets:

Capital Assets:

Land	25,000
Land Improvements and Sewer System	531,050
Equipment	7,968
Less: Accumulated Depreciation	<u>(519,227)</u>

Total Non-Current Assets	<u>44,791</u>
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<b>Total Assets</b>	<b><u>\$ 238,774</u></b>
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**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 3,800
Due to Other Funds	165
Withholdings Payable	<u>610</u>

<b>Total Current Liabilities</b>	<b>4,575</b>
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**NET ASSETS**

Unrestricted	<u>234,199</u>
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<b>Total Liabilities and Net Assets</b>	<b><u>\$ 238,774</u></b>
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The accompanying notes are an integral part of the financial statements.

**VILLAGE OF ROSEBUSH  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004**

**Statement IV**

	Sewer Fund
<b>OPERATING REVENUE</b>	
Sewer Usage Charges	\$ 32,099
Hookup Fees	<u>-</u>
<b>Total Operating Revenue</b>	<b>32,099</b>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	11,907
Supplies	1,624
Contracted Services	7,354
Transportation	1,800
Utilities	1,677
Employee Benefits	911
Refunds and Rebates	<u>1,670</u>
Operating Expenses Before Depreciation	26,943
Depreciation Expense	<u>1,253</u>
<b>Total Operating Expenses</b>	<b><u>28,196</u></b>
<b>Operating Income (Loss)</b>	<b>3,903</b>
<b>NON-OPERATING REVENUE</b>	
Interest and Miscellaneous	<u>2,341</u>
<b>Net Income (Loss)</b>	<b>6,244</b>
<b>Net Assets - July 1</b>	<b><u>227,955</u></b>
<b>Net Assets - June 30</b>	<b><u>\$ 234,199</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF ROSEBUSH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Statement V</b>
	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers and Others	\$ 31,529
Cash Paid to Vendors	(12,126)
Cash Paid to Employees	<u>(12,746)</u>
Net Cash Provided (Used) by Operating Activities	6,657
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Penalties on Sewer Usage and Debt Charges	1,055
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and Dividend Earnings	1,286
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,998</b>
<b>Cash and Cash Equivalents - July 1</b>	<b><u>108,485</u></b>
<b>Cash and Cash Equivalents - June 30</b>	<b><u>\$ 117,483</u></b>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u></b>	
Operating Income (Loss)	\$ 3,903
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation Expense	1,253
<b>Change in Assets and Liabilities:</b>	
Accounts Receivable	(570)
Accounts Payable	1,999
Accrued Liabilities	<u>72</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 6,657</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF ROSEBUSH  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

Statement VI

**Assets**

Cash and cash equivalents	\$ <u>          -</u>
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**Liabilities**

Undistributed Taxes	\$ <u>          -</u>
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**HATTON TOWNSHIP, CLARE COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

Statement VII

**ADDITIONS**

Collections:	
Property Taxes	\$ <u>    33,770    </u>

**DEDUCTIONS**

Disbursements:	
Distributed Taxes	33,770

Change in Net Assets	-
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Net Assets - July 1	<u>          -</u>
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Net Assets - June 30	\$ <u>          -</u>
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The accompanying notes are an integral part of the financial statements.



VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DEFINITION OF REPORTING ENTITY

The Village of Rosebush is a Home Rule Village incorporated under Public Act 278 of 1909. The Village operates under a 5-member elected Village Council and provides basic municipal services to Village residents. In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set for by the Governmental Accounting Standards Board (GASB) Statement 14. The Village does not have any component units. The Village applies applicable FASB pronouncements in accounting and reporting for its proprietary operations.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis -- for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury responsible for overseeing local unit compliance has determined that omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation, as such the Village has elected to omit these sections of the GASB 34 reporting format.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts due from other governments, loans receivable, Fee funding, and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Major Streets Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Streets Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The Village reports the following major proprietary funds:

This *Sewer Fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises where user charges finance the cost/expenses, including depreciation, of providing services.

Additionally, the Village reports the following fund types:

The *Agency fund* is used to account for assets held by the Village as an agent for individual, private organizations, other governments, and for other Funds. This Fund is custodial in nature and does not involve measurement of the results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of the following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. PROPERTY TAXES

Property Taxes are levied on July 1 of each year and are recognized as revenue into the General Fund on a collection basis in conformity with the National Council on Governmental Accounting's (NCGA) Interpretation 3 entitled "Revenue Recognition - Property Taxes."

Property taxes are allocated to the General Fund based on the voted millage rate of 3.0000 mills.

Isabella County, the county in which the Village of Rosebush is located, has a delinquent tax revolving fund whereby the County pays the Village for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers.

D. CASH AND INVESTMENTS

Village investments are stated at cost and consist of certificates of deposit.

For the purpose of the Statement of Cash Flows presented for the Enterprise Fund, the Village considers all highly liquid investments with maturities of three months or less to be Cash Equivalents. The investments held by the Enterprise Fund are not considered Cash Equivalents.

E. INVENTORIES

Inventories of expendable supplies in the Enterprise Fund have not been recorded; the amounts of these inventories are considered to be immaterial. The cost of such inventory items is recorded as an expense at the time the items are purchased.

F. FIXED ASSETS

Purchases of fixed assets are recorded as capital assets in the Enterprise Fund at the time of acquisition and, accordingly, the in-service utility property and equipment (sewage treatment plant) is capitalized at cost in the Enterprise Fund. Depreciation has been provided using the straight-line method over the plant's estimated useful life of thirty years. Depreciation is charged to current expenses as Depreciation Expense.

Purchases of fixed assets are recorded as expenditures in the General and Special Revenue Funds at the time of acquisition. These assets are capitalized at cost in the General Fixed Assets Account Group and no depreciation is taken on them.

Infrastructure assets of the Village are not reported in the financial statements since a value has not been placed on them.

G. FRINGE BENEFITS

The Village's elected and appointed officials are covered by Worker's Compensation Insurance; the Village Clerk and Treasurer are also covered by Social Security. These fringe benefits are charged to each Fund on the same basis as are the related salaries.

The other Village employees are also covered by Worker's Compensation Insurance and Social Security. These benefits are also charged to the Fund to which the related salaries and wages are charged.

VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level for the budgeted funds. State law requires the Village to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Villages to amend its budgets during the year. The Village amended its budget at various times during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The General Fund and all other major funds did not incur expenditures in excess of the legal level of appropriations for the year ended June 30, 2004.

NOTE 3 - CASH AND INVESTMENTS

Balance Sheet - Cash and Investments

Deposits are carried at cost. Deposits are in one financial institution in the name of the Village Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; banker's acceptances of United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated with the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118; and the investment pool organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Village's deposits are in accordance with statutory authority.

VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At June 30, 2004 the carrying amount of the Village's cash, savings, and certificates of deposit was \$521,521 as follows:

Deposits with Financial Institutions:

Cash In Checking	\$ 456,521
Certificates of Deposit	<u>65,000</u>
Total	<u>\$ 521,521</u>

At year end the carrying amount of the Village's deposits was \$521,521 of which \$100,000 is insured by the Federal Deposit Insurance Corporation (FDIC) through Chemical Bank and \$421,521 is uninsured and uncollateralized. Actual deposits with financial institutions were \$521,624 of which \$100,000 is insured by the Federal Deposit Insurance Corporation (FDIC) through Chemical Bank and \$421,624 is uninsured and uncollateralized.

Due to varying cash flows, the Village's deposits with financial institutions were higher during the year than at year end. Therefore, larger amounts were uninsured and uncollateralized at given points during the year.

NOTE 4 - JOINT VENTURE

The Village is a member of the Isabella Northeast Fire District, which is a joint venture of the Village and the Townships of Isabella, Vernon, and Denver. Each unit appoints a representative to serve on the five-member Fire District Board along with a member selected at large. The costs of operation of the Fire District are shared among the units based on their portion of the total Taxable Value of the Fire District. Annual contributions to the Fire District are made based upon the budget. The Fire District is required to be audited biennially and was audited as of and for the year ended June 30, 2003. The latest available financial data of the joint venture was obtained from the audited financial statements of Isabella Northeast Fire District for the year ended June 30, 2003:

Total Assets	\$ 510,117
Total Equity	510,117
Total Revenue	77,472
Total Expenditures	<u>51,449</u>
Increase in Fund Balance	26,023

The Total Assets and Total Equity includes \$265,519 for the General Fund and \$244,598 for the General Fixed Assets Account Group. The Village's share of total assets and total equity is unknown. Audited Financial Statements of the Fire District are available upon written request at the Fire Hall located on Mission Road, Rosebush, Michigan 48878.

NOTE 5 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets and accumulated depreciation reported on the Enterprise Fund Type - Sewer Fund follows:

	July 1, 2003	Additions	Deletions	June 30, 2004
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	167,641	-	-	167,641
Sewer System	363,409	-	-	363,409
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cost	531,050	-	-	531,050
Accumulated Depreciation	<u>(517,974)</u>	<u>-</u>	<u>-</u>	<u>(517,974)</u>
Net Fixed Assets	<u>\$ 13,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,076</u>



VILLAGE OF ROSEBUSH  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables at June 30, 2004 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund</u>		
Major Street Fund	\$ -	\$ 257
Local Street Fund	-	227
Sewer Fund	165	-
<u>Major Street Fund</u>		
General Fund	257	-
<u>Local Street Fund</u>		
General Fund	227	-
<u>Sewer Fund</u>		
General Fund	-	165
	<u>\$ 649</u>	<u>\$ 649</u>

NOTE 7 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The following Enterprise Fund has been created to provide various services to the general public.

Sewer System Fund - established to account for the operation of the Village's Sewer System.

Segment information for the Sewer Fund is summarized below for the year ended June 30, 2004:

Operating Revenue	\$ 32,099
Depreciation Expense	1,253
Operating Income (Loss)	3,903
Net Income (Loss) Transferred To Net Assets	6,244
Net Working Capital	189,408
Total Assets	238,774
Total Equity	234,199

NOTE 8 - CONTINGENCIES

Litigation

The Village of Rosebush is subject to various legal proceedings arising in the course of providing services to the public. However, in the opinion of the Village of Rosebush's attorney and management, the resolution of these matters may not have a material effect, if any, on the financial condition of the Village of Rosebush.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Chapter has entered into various transactions with Chemical Bank & Trust. A member of the Council is an employee of this company. The transactions consist of substantially all of the organization's general banking and investing activities.

**REQUIRED SUPPLEMENTAL INFORMATION**

**VILLAGE OF ROSEBUSH  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2004**

Schedule 1

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Property Taxes	\$ 29,200	\$ 29,200	\$ 18,317
Intergovernmental	35,000	35,000	32,105
Interest and Rents	4,000	4,000	1,434
Other	1,900	1,900	188
Special Assessment	<u>19,000</u>	<u>19,000</u>	<u>17,225</u>
<b>Total Revenue</b>	<b>89,100</b>	<b>89,100</b>	<b>69,269</b>
<b>Expenditures</b>			
General Government	42,200	42,200	18,979
Public Safety	7,000	7,000	6,427
Public Works	28,500	28,500	21,550
Other Functions	<u>11,400</u>	<u>11,400</u>	<u>5,677</u>
<b>Total Expenditures</b>	<b>89,100</b>	<b>89,100</b>	<b>52,633</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>16,636</b>
<b>Fund Balance - July 1</b>	<u><b>136,513</b></u>	<u><b>136,513</b></u>	<u><b>136,513</b></u>
<b>Fund Balance - June 30</b>	<u><b>\$ 136,513</b></u>	<u><b>\$ 136,513</b></u>	<u><b>\$ 153,149</b></u>

**VILLAGE OF ROSEBUSH  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS FUND  
YEAR ENDED JUNE 30, 2004**

**Schedule 2**

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Gas & Weight Taxes	\$ 30,000	\$ 30,000	\$ 30,465
Interest and Rents	<u>4,000</u>	<u>4,000</u>	<u>1,294</u>
<b>Total Revenue</b>	<b>34,000</b>	<b>34,000</b>	<b>31,759</b>
<b>Expenditures</b>			
General Government	2,500	2,500	\$ 1,128
Public Works	26,100	26,100	11,229
Other Functions	<u>900</u>	<u>900</u>	<u>86</u>
<b>Total Expenditures</b>	<b>29,500</b>	<b>29,500</b>	<b>12,443</b>
<b>Net Change in Fund Balance</b>	<b>4,500</b>	<b>4,500</b>	<b>19,316</b>
<b>Fund Balance - July 1</b>	<u><b>141,591</b></u>	<u><b>141,591</b></u>	<u><b>141,591</b></u>
<b>Fund Balance - June 30</b>	<u><b>\$146,091</b></u>	<u><b>\$146,091</b></u>	<u><b>\$ 160,907</b></u>

**VILLAGE OF ROSEBUSH  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - LOCAL STREETS FUND  
YEAR ENDED JUNE 30, 2004**

**Schedule 3**

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Gas & Weight Taxes	\$ 7,800	\$ 7,800	\$ 7,245
Interest and Rents	<u>850</u>	<u>850</u>	<u>107</u>
<b>Total Revenue</b>	<b>8,650</b>	<b>8,650</b>	<b>7,352</b>
<b>Expenditures</b>			
General Government	800	800	564
Public Works	9,300	9,300	3,354
Other Functions	<u>50</u>	<u>50</u>	<u>43</u>
<b>Total Expenditures</b>	<b>10,150</b>	<b>10,150</b>	<b>3,961</b>
<b>Net Change in Fund Balance</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>3,391</b>
<b>Fund Balance - July 1</b>	<u><b>28,854</b></u>	<u><b>28,854</b></u>	<u><b>28,854</b></u>
<b>Fund Balance - June 30</b>	<u><b>\$ 27,354</b></u>	<u><b>\$ 27,354</b></u>	<u><b>\$ 32,245</b></u>



**OTHER SUPPLEMENTAL INFORMATION**

VILLAGE OF ROSEBUSH  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2004 AND 2003

Exhibit A1-1

ASSETS

	<u>2004</u>	<u>2003</u>
Cash in Checking	\$ 6,469	\$ 6,934
Cash in Savings	144,385	127,247
Due from Other Funds	165	165
Due from State	<u>4,671</u>	<u>4,124</u>
 Total Assets	 <u>\$ 155,690</u>	 <u>\$ 138,470</u>

LIABILITIES AND FUND BALANCE

<u>Liabilities</u>		
Accounts Payable	\$ 1,618	\$ 1,159
Withholdings Payable	439	314
Due to Other Funds	<u>484</u>	<u>484</u>
 Total Liabilities	 2,541	 1,957
 <u>Fund Balance</u>		
Unreserved - Undesignated	<u>153,149</u>	<u>136,513</u>
 Total Liabilities and Fund Balance	 <u>\$ 155,690</u>	 <u>\$ 138,470</u>

VILLAGE OF ROSEBUSH  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	(Over) Under Budget	Actual
<u>REVENUE</u>				
<u>Taxes</u>				
Real Property Taxes	\$ 25,500	\$ 16,403	\$ 9,097	\$ 15,454
Personal Property Taxes	2,700	1,788	912	1,753
Penalties and Interest on Taxes	1,000	126	874	56
Total Taxes	29,200	18,317	10,883	17,263
<u>Special Assessment</u>				
Trash Removal	19,000	17,225	1,775	16,328
<u>Intergovernmental Revenue</u>				
State Shared Revenue	35,000	32,105	2,895	26,701
<u>Interest and Dividend Earnings</u>				
Interest on Cash and Investments	3,000	1,334	1,666	2,222
<u>Rents &amp; Royalties</u>				
Rental of Village Hall	1,000	100	900	65
<u>Refunds and Rebates</u>				
Refunds and Rebates	600	188	412	185
Reimbursements	1,000	-	1,000	-
<u>Miscellaneous</u>				
Miscellaneous	300	-	300	-
Total Revenue	89,100	69,269	19,831	62,764
<u>EXPENDITURES</u>				
<u>General Government</u>				
Village Council	3,500	2,068	1,432	2,678
Village President	1,000	600	400	600
Independent Accounting and Auditing	4,000	2,900	1,100	2,500
Attorney	15,000	3,598	11,402	7,908
Clerk	4,100	2,430	1,670	3,752
Treasurer	4,100	4,757	(657)	3,000
Elections	1,500	75	1,425	831
Village Hall and Grounds	9,000	2,551	6,449	3,093
Total General Government	42,200	18,979	23,221	24,362

VILLAGE OF ROSEBUSH  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>	<u>Actual</u>
<u>EXPENDITURES (Continued)</u>				
<u>Public Safety</u>				
Fire Protection	\$ 7,000	\$ 6,427	\$ 573	\$ 6,100
<u>Public Works</u>				
Drains at Large	3,500	75	3,425	41
Street Lighting	6,000	4,649	1,351	4,956
Sanitation	<u>19,000</u>	<u>16,826</u>	<u>2,174</u>	<u>16,353</u>
Total Public Works	28,500	21,550	6,950	21,350
<u>Other Functions</u>				
Insurance Not Charged To Other Activities	4,000	3,159	841	3,037
Social Security	500	649	(149)	388
Community Promotion	5,400	1,106	4,294	510
Unallocated and Other	<u>1,500</u>	<u>763</u>	<u>737</u>	<u>404</u>
Total Other Functions	<u>11,400</u>	<u>5,677</u>	<u>5,723</u>	<u>4,339</u>
Total Expenditures	<u>89,100</u>	<u>52,633</u>	<u>36,467</u>	<u>56,151</u>
Excess Revenue Over (Under) Expenditures	-	16,636	(16,636)	6,613
Fund Balance - July 1	<u>136,513</u>	<u>136,513</u>	<u>-</u>	<u>129,900</u>
Fund Balance - June 30	<u>\$ 136,513</u>	<u>\$ 153,149</u>	<u>\$ (16,636)</u>	<u>\$ 136,513</u>

VILLAGE OF ROSEBUSH  
MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2004 AND 2003

Exhibit B1-1

ASSETS

	<u>2004</u>	<u>2003</u>
Cash in Checking	\$ 15,557	\$ 11,164
Cash in Savings	141,593	125,320
Due from Other Funds	257	257
Due from State	<u>5,169</u>	<u>4,893</u>
 Total Assets	 <u>\$ 162,576</u>	 <u>\$ 141,634</u>

LIABILITIES AND FUND BALANCE

<u>Liabilities</u>		
Accounts Payable	\$ 1,626	\$ -
Withholdings Payable	<u>43</u>	<u>43</u>
Total Liabilities	1,669	43
 <u>Fund Balance</u>		
Unreserved - Undesignated	<u>160,907</u>	<u>141,591</u>
 Total Liabilities and Fund Balance	 <u>\$ 162,576</u>	 <u>\$ 141,634</u>

VILLAGE OF ROSEBUSH  
MAJOR STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004

Exhibit B1-2

(With Comparative Actual Totals for the Year Ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>	<u>Actual</u>
<u>REVENUE</u>				
<u>Intergovernmental Revenue</u>				
State Shared Revenues				
Gas and Weight Taxes	\$ 30,000	\$ 30,465	\$ (465)	\$ 28,334
Interest and Dividend Earnings	<u>4,000</u>	<u>1,294</u>	<u>2,706</u>	<u>1,931</u>
Total Revenue	34,000	31,759	2,241	30,265
<u>EXPENDITURES</u>				
<u>General Government</u>				
Administration, Engineering and Record Keeping	2,000	1,128	872	1,128
Accounting and Auditing	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total General Government	2,500	1,128	1,372	1,128
<u>Public Works</u>				
Construction	7,500	-	7,500	-
Routine Maintenance	13,500	8,533	4,967	4,144
Traffic Services	600	-	600	-
Winter Maintenance	<u>4,500</u>	<u>2,696</u>	<u>1,804</u>	<u>-</u>
Total Public Works	26,100	11,229	14,871	4,144
<u>Other Functions</u>				
Miscellaneous	700	-	700	-
Social Security - Village Share	<u>200</u>	<u>86</u>	<u>114</u>	<u>86</u>
Total Other Functions	<u>900</u>	<u>86</u>	<u>814</u>	<u>86</u>
Total Expenditures	<u>29,500</u>	<u>12,443</u>	<u>17,057</u>	<u>5,358</u>
Excess Revenue Over (Under) Expenditures	4,500	19,316	(14,816)	24,907
<u>OTHER FINANCING (USES)</u>				
Transfers Out to Other Funds	<u>4,500</u>	<u>-</u>	<u>4,500</u>	<u>-</u>
Excess Revenue Over (Under) Expenditures and Other Financing Uses	9,000	19,316	(10,316)	24,907
Fund Balance - July 1	<u>141,591</u>	<u>141,591</u>	<u>-</u>	<u>116,684</u>
Fund Balance - June 30	<u>\$ 150,591</u>	<u>\$ 160,907</u>	<u>\$ (10,316)</u>	<u>\$ 141,591</u>

VILLAGE OF ROSEBUSH  
LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2004 AND 2003

Exhibit B2-1

ASSETS

	<u>2004</u>	<u>2003</u>
Cash in Checking	\$ 6,736	\$ 3,290
Cash in Savings	24,298	24,201
Due from Other Funds	227	227
Due from State	<u>1,231</u>	<u>1,158</u>
 Total Assets	 <u>\$ 32,492</u>	 <u>\$ 28,876</u>

LIABILITIES AND FUND BALANCE

<u>Liabilities</u>		
Accounts Payable	\$ 225	\$ -
Withholdings Payable	<u>22</u>	<u>22</u>
Total Liabilities	247	22
 <u>Fund Balance</u>		
Unreserved - Undesignated	<u>32,245</u>	<u>28,854</u>
 Total Liabilities and Fund Balance	 <u>\$ 32,492</u>	 <u>\$ 28,876</u>

VILLAGE OF ROSEBUSH  
LOCAL STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004

Exhibit B2-2

(With Comparative Actual Totals for the Year Ended June 30, 2003)

	<u>2004</u>		<u>(Over) Under Budget</u>	<u>2003 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<u>REVENUE</u>				
<u>Intergovernmental Revenue</u>				
State Shared Revenues				
Gas and Weight Taxes	\$ 7,800	\$ 7,245	\$ 555	\$ 6,707
Interest and Dividend Earnings	<u>850</u>	<u>107</u>	<u>743</u>	<u>292</u>
Total Revenue	8,650	7,352	1,298	6,999
<u>EXPENDITURES</u>				
<u>General Government</u>				
Administration, Engineering and Record Keeping	800	564	236	564
<u>Public Works</u>				
Construction	500	-	500	-
Routine Maintenance	5,500	1,450	4,050	4,003
Traffic Services	100	-	100	-
Winter Maintenance	3,000	1,904	1,096	-
Professional Services	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total Public Works	9,300	3,354	5,946	4,003
<u>Other Functions</u>				
Social Security - Village Share	<u>50</u>	<u>43</u>	<u>7</u>	<u>43</u>
Total Expenditures	<u>10,150</u>	<u>3,961</u>	<u>6,189</u>	<u>4,610</u>
Excess Revenue Over (Under) Expenditures	(1,500)	3,391	(4,891)	2,389
<u>OTHER FINANCING SOURCES</u>				
Transfers in From Other Funds	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Excess Revenue and Other Financing Sources Over (Under) Expenditures	-	3,391	(3,391)	2,389
Fund Balance - July 1	<u>28,854</u>	<u>28,854</u>	<u>-</u>	<u>26,465</u>
Fund Balance - June 30	<u>\$ 28,854</u>	<u>\$ 32,245</u>	<u>\$ (3,391)</u>	<u>\$ 28,854</u>



VILLAGE OF ROSEBUSH  
SEWER FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2004 AND 2003

Exhibit C1-1

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in Checking	\$ 9,056	\$ 8,370
Cash in Savings	108,427	100,115
Investments	65,000	65,000
Accounts Receivable	<u>11,500</u>	<u>10,930</u>
 Total Current Assets	 193,983	 184,415
 <u>PROPERTY AND EQUIPMENT</u>		
Land	25,000	25,000
Land Improvements and Sewer System	531,050	531,050
Equipment	7,968	7,968
Less: Accumulated Depreciation	<u>(519,227)</u>	<u>(517,974)</u>
 Net Property and Equipment	 <u>44,791</u>	 <u>46,044</u>
 Total Assets	 <u><u>\$ 238,774</u></u>	 <u><u>\$ 230,459</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 3,800	\$ 1,801
Due to Other Funds	165	165
Withholdings Payable	<u>610</u>	<u>538</u>
 Total Current Liabilities	 4,575	 2,504
 <u>FUND EQUITY</u>		
Retained Earnings	<u>234,199</u>	<u>227,955</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 238,774</u></u>	 <u><u>\$ 230,459</u></u>

VILLAGE OF ROSEBUSH  
SEWER FUND  
COMPARATIVE STATEMENT OF REVENUE, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS  
YEARS ENDED JUNE 30, 2004 AND 2003

Exhibit C1-2

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUE</u>		
Sewer Usage Charges	\$ 32,099	\$ 30,304
Hookup Fees	<u>-</u>	<u>3,600</u>
Total Operating Revenue	32,099	33,904
<u>OPERATING EXPENSES</u>		
Salaries and Wages - Operations	6,600	6,600
Salaries and Wages - Administration	5,307	4,662
Postage and Office Supplies	250	44
Operating Supplies	467	372
Repair and Maintenance Supplies	907	847
Contracted Services	7,354	4,395
Transportation	1,800	1,500
Utilities	1,677	1,568
Social Security - Village Share	911	862
Miscellaneous	<u>1,670</u>	<u>-</u>
Operating Expenses Before Depreciation	26,943	20,850
Depreciation Expense	<u>1,253</u>	<u>12,471</u>
Total Operating Expenses	<u>28,196</u>	<u>33,321</u>
Operating Income (Loss)	3,903	583
<u>NON-OPERATING REVENUE</u>		
Interest on Cash and Investments	1,286	2,290
Penalties on Sewer Usage and Debt Charges	<u>1,055</u>	<u>455</u>
Total Non-Operating Revenue	<u>2,341</u>	<u>2,745</u>
Net Income (Loss)	6,244	3,328
Retained Earnings - July 1	<u>227,955</u>	<u>224,627</u>
Retained Earnings - June 30	<u>\$ 234,199</u>	<u>\$ 227,955</u>

VILLAGE OF ROSEBUSH  
COMPARATIVE STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEARS ENDED JUNE 30, 2004 AND 2003

Exhibit C1-3

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ 3,903	\$ 583
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,253	12,471
Changes in Assets and Liabilities		
Accounts Receivables	(570)	(154)
Accounts Payable	1,999	1,769
Due to Other Funds	-	43
Salaries Payable	-	-
Withholdings Payable	<u>72</u>	<u>65</u>
Net Changes in Assets and Liabilities	<u>1,501</u>	<u>1,723</u>
Net Cash Provided (Used) by Operating Activities	6,657	14,777
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Penalties on Sewer Usage and Debt Charges	1,055	455
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and Dividend Earnings	1,286	2,290
Purchases of Fixed Assets	<u>-</u>	<u>(1,226)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,286</u>	<u>1,064</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,998	16,296
Cash and Cash Equivalents - July 1	<u>108,485</u>	<u>92,189</u>
Cash and Cash Equivalents - June 30	<u>\$ 117,483</u>	<u>\$ 108,485</u>
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL FIXED ASSETS ACCOUNT GROUP  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
YEAR ENDED JUNE 30, 2004

Exhibit E1-1

	Balance 7/01/03	Additions	Deletions	Balance 6/30/04
Village Hall	\$ 1,000	\$ -	\$ -	\$ 1,000
Hall Improvements	21,846	-	-	21,846
Typewriter	377	-	-	377
Adding Machines (3)	660	-	-	660
Table and Chairs	551	-	-	551
Water Heater	151	-	-	151
Sweeper	50	-	-	50
Air conditioner	1,180	-	-	1,180
Locking Mailbox	15	-	-	15
Bulletin Boards (2)	188	-	-	188
Metal Cabinets and Files	541	-	-	541
Stepladder	332	-	-	332
Vacuum Cleaner	313	74	-	387
Refrigerator	508	-	-	508
Storage Building	925	-	-	925
Clerk Computer	1,353	-	-	1,353
Treasurer Computer	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>1,350</u>
 Total Investment in General Fixed Assets	 <u>\$ 29,990</u>	 <u>\$ 1,424</u>	 <u>\$ -</u>	 <u>\$ 31,414</u>

The original Statement of General Fixed Assets was prepared by the Village and was not tested for accuracy or completeness by the auditors.

**ADDITIONAL FINANCIAL DATA**

VILLAGE OF ROSEBUSH  
GENERAL FUND  
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT  
YEAR ENDED JUNE 30, 2004

Exhibit E1-1

GENERAL GOVERNMENT

Village Council	
Salaries and Wages	\$ 1,600
Dues	<u>468</u>
Total Village Council	2,068
Village President	
Salaries and Wages	600
Independent Accounting	
Professional Services	2,900
Attorney	
Professional Services	3,598
Clerk	
Salaries and Wages	2,376
Postage	<u>54</u>
Total Clerk	2,430
Treasurer	
Salaries and Wages	2,700
Office Supplies	400
Postage	185
Tax Billing Preparation	78
Miscellaneous	44
Capital Outlay	<u>1,350</u>
Total Treasurer	4,757
Elections	
Salaries and Wages	-
Fees and Per Diem	75
Operating Supplies	-
Printing and Publishing	-
Miscellaneous	<u>-</u>
Total Elections	75
Village Hall and Grounds	
Operating Supplies	13
Contracted Services	789
Communications	261
Utilities	1,219
Repair and Maintenance	263
Building Improvements	<u>6</u>
Total Village Hall and Grounds	<u>2,551</u>
TOTAL GENERAL GOVERNMENT	18,979

VILLAGE OF ROSEBUSH  
GENERAL FUND  
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT  
YEAR ENDED JUNE 30, 2004

Exhibit E1-1

PUBLIC SAFETY

Fire Protection

Contributions to Other Governments

\$ 6,427

PUBLIC WORKS

Street Lighting

Utilities

4,470

Repair and Maintenance

179

Drains at Large

75

Sanitation

16,826

TOTAL PUBLIC WORKS

21,550

OTHER FUNCTIONS

Insurance Not Charged to Other Activities

Liability Insurance

3,159

Community Promotion

1,106

Miscellaneous

763

Social Security

388

Worker's Compensation

261

TOTAL OTHER FUNCTIONS

5,677

TOTAL GENERAL FUND EXPENDITURES

\$ 52,633



PAGE

OLSON &amp;

COMPANY P.C.

AUDIT COMMUNICATION AND  
REPORT OF COMMENTS AND RECOMMENDATIONS

December 20, 2004

Village Council  
Village of Rosebush  
Isabella County, Michigan

We have recently completed our audit of the financial statements of the Village of Rosebush, Isabella County for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

We conducted our audit of the financial statements of the Village of Rosebush in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help to assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."



An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to implementation of GASB 34 is discussed further in the other communications section.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit. We have the following to report to you at this time:

The following are the issues noted per the above referenced topics:

Various adjustments are made at fiscal year-end to record various receivables and payables in order to convert the financial statements from cash basis to the modified accrual basis that is required. Such adjustments are part of the year-end accounting process. We expect management to provide the information that comprises these amounts so we can apply auditing procedures to satisfy ourselves that the information is corroborated.

Discussed with the Village President and Trustees the extent to which the township desired to implement GASB 34. Determined at this time, that the Village would continue to maintain its records on a modified accrual basis and that year-end financial reports would be prepared directly from those records using the minimum statement formats suggested by the State reporting requirements.



**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/  
EFFICIENCY**

In planning and performing our audit of the financial statements of the Village of Rosebush, for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

**Reportable Conditions (Material Weaknesses)**

Budget Adoption

In reviewing the minutes we noted that the budget for the year ending June 30, 2004 was not adopted timely. This and other budget and procedural issues appear to be related to change over in the board. As novice officials take over positions, we recommend that the Village seek training to get them up to speed and to refresh continuing members skills on proper procedures and basic requirements of their positions. The Michigan Municipal League, Michigan Municipal Finance Officers Association, and the Michigan Township Association put on a number of relevant training courses in these areas. The Local Audit Division of the State of Michigan also has some very useful manuals and guidance on their website. We have supplied a sample budget resolution to the clerk that was formulated by the State Department of Treasury to assist in making sure that budget compliance specifications are adhered to in the future.

Disbursements

There are only two people responsible for the Village's transactions, with one person responsible for disbursements, including the preparation, signing, and mailing of checks. The separation of duties within an organization is one of the most important internal controls that an organization can have for a sound accounting system. We recommend that separation of duties be employed by giving the responsibility for the signing of checks to a separate employee than the employee that prepares and mails disbursements and/or requiring an additional signature and thus, reviewer of checks and related documents.

Also during disbursement testing, it was noted that invoices are not being properly cancelled. Upon payment, invoices should be marked paid, the date paid, the amount paid, the proper coding for the transaction and initialed for approval. This procedure is important to ensure that invoices are not paid more than once and to strengthen internal controls within the accounting system.



**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/  
EFFICIENCY (CONTINUED)**

**Other Reportable Conditions**

Chart of Accounts (Repeated Comment)

In April 2002 the Michigan Department of Treasury issued a new Uniform Chart of Accounts for Counties and Local Units of Government. There are several changes in the new Uniform Chart of Accounts that affect the Village. The Village should review the current chart being utilized to make sure all accounts are in compliance with this guidance.

Payroll Taxes (Repeated Comment)

The Village currently does not record Social Security tax expense or Medicare tax expense, it is being recorded through audit adjustments. These expenses should be recorded through out the year as expenses are incurred. It would be most appropriate to accrue the expenses at the time pay checks are written by debiting the expense account and crediting the applicable liability. Then when the FICA taxes are actually remitted and recorded as a debit to the liability account, the liability account would clear itself to zero, thus serving as an additional check that the proper amounts are being paid and recorded.

Minutes

In reviewing the council minutes, we noted that the minutes are not being signed when submitted. To strengthen internal control, we recommend that the council minutes be signed when submitted and approved each month.

It was also noted during testing, that bills are presented to the Board at each monthly meeting and listed in the minutes. Upon approval, disbursements are made and a reconciliation for cash is done each month. On the reconciliation, disbursements are shown by check number. This document is presented to the board the following month and a copy is given to the clerk for her records. The original document is kept with the treasurer's records. To further authenticate the documentation process, a copy of the cash reconciliation, along with any other documentation that is presented and approved by council members, should be attached to the minutes.

Sewer Receipts

During our testing of sewer receipts we noted that remittance advices received from the customers at the time of payment are filed by customer. Because deposits are made on a regular basis specifically for sewer receipts, we recommend that the remittance advices be filed by deposit. This procedure will provide a better trail of documentation in the receipt process.

General Ledger

During inquiry of analytical review the Village Officials could not explain differences in balances of accounts. We were directed to investigate the general ledger and supporting documentation, but that did not give obvious reasons for the change from the prior year to the current year. Also, the general ledger was not presented in an efficient manner that allowed for the ease of finding account balances. We recommend that the a more formalized and consistent general ledger be employed by the Village.

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/  
EFFICIENCY (CONTINUED)**

**Other Reportable Conditions (Continued)**

Financial Oversight

The general limitations in a smaller government require that the Village Council members continue to remain involved in the financial affairs of the Village through oversight of operation, development of the annual budget, inquiries about variances between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated December 20, 2004.

**SUMMARY**

We would like to thank the Village of Rosebush personnel and officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any of these or other questions that you might have at your convenience.

This communication is intended for the information of the members of the Village Board, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Page, Olsen & Company*